

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Vienna	County Genesee
Audit Date 12/31/05	Opinion Date 3/16/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Plante & Moran, PLLC

Street Address

111 East Court Street, Suite 1A

City

Flint

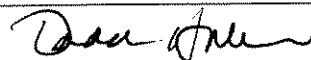
State

MI

ZIP

48502

Accountant Signature



Date

5/26/06

Financial Statements

**Charter Township of Vienna
Genesee County, Michigan**

Fiscal Year Ended December 31, 2005

Charter Township of Vienna
Financial Statements
For the Fiscal Year Ended December 31, 2005

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Charter Township of Vienna
Financial Statements
For the Fiscal Year Ended December 31, 2005

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**Charter Township of Vienna
Genesee County, Michigan
List of Elected, Civil and Appointed Officials
December 31, 2005**

Anthony McKerchie, Supervisor

Richard Scott, Clerk

Paul Luttenbacher, Treasurer

Dennis Fuller, Trustee

Kathy Ridley, Trustee

Randy Taylor, Trustee

Michael J. Zinn, Trustee

Robert Palmer, Superintendent

Report of Independent Auditors

The Honorable Members
of the Township Board of the
Charter Township of Vienna
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna, Genesee County, Michigan (Township) as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

PLANTE & MORAN, PLLC

March 16, 2006

Management's Discussion and Analysis

Charter Township of Vienna Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Vienna's performance provides an overview of Vienna Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2005:

- Property Taxes, our largest revenue source, increased by approximately \$64,159 or 5.4%.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$8,722 this year.
- Total net assets related to the Township's governmental activities increased by \$271,995. The unrestricted portion of the net assets increased by \$232,038.
- Total long-term liabilities increased by \$6,001,895. This large increase can be attributed to the acquisition of a 15-year installment loan for the construction of a new fire hall amounting to \$2,713,600 and a 10-year Genesee County Road contract amounting to \$3,288,295.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Vienna Township as a whole and present a longer-term view of Vienna Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report Vienna Township's operations in more detail than the governmental-wide financial statements by providing information about Vienna Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Vienna Township acts solely as a trustee or agent for the benefits of those outside of the government.

Vienna Township as a Whole:

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

Summary Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 4,407,187	\$ 4,148,515	\$ 729,164	\$1,396,910	\$ 5,136,351	\$ 5,545,425
Noncurrent assets:						
Restricted assets	1,919,462	-	-	-	1,919,462	-
Capital assets	<u>6,164,050</u>	<u>1,968,862</u>	<u>9,356,007</u>	<u>8,241,613</u>	<u>15,520,057</u>	<u>10,210,475</u>
Total assets	<u>12,490,699</u>	<u>6,117,377</u>	<u>10,085,171</u>	<u>9,638,523</u>	<u>22,575,870</u>	<u>15,755,900</u>
Current liabilities	1,478,270	1,378,838	231,919	195,776	1,710,189	1,574,614
Long-term liabilities	<u>6,001,895</u>	<u>-</u>	<u>1,510,652</u>	<u>1,831,618</u>	<u>7,512,547</u>	<u>1,831,618</u>
Total liabilities	<u>7,480,165</u>	<u>1,378,838</u>	<u>1,742,571</u>	<u>2,027,394</u>	<u>9,222,736</u>	<u>3,406,232</u>
Net assets:						
Invested in capital assets – net of related debt	2,081,617	1,968,862	7,845,355	6,409,995	9,926,972	8,378,857
Restricted	867,400	940,198	-	-	867,400	940,198
Unrestricted	<u>2,061,517</u>	<u>1,829,479</u>	<u>497,245</u>	<u>1,201,134</u>	<u>2,558,762</u>	<u>3,030,613</u>
Total net assets	<u>\$ 5,010,534</u>	<u>\$4,738,539</u>	<u>\$8,342,600</u>	<u>\$7,611,129</u>	<u>\$13,353,134</u>	<u>\$12,349,668</u>

Vienna Township's combined net assets increased 8.1 percent from a year ago – increasing from \$12,349,668 to \$13,353,134. As we look at the governmental activities separately from the business-type activities, we can see that they increased 5.7 percent and 9.6 percent respectively.

Business-type activities current assets decreased \$667,746. The major factor in this decrease is mainly due to a large stretch of sewer line being replaced on M-57 (Vienna Road from Sunset Drive to Jennings Road). This major project was financed solely by the sewer fund thereby decreasing the amount of the current assets. On the other hand, business-type capital assets increased \$1,114,394 from a year ago. This large increase is mainly due to the Vienna Road Sewer Replacement being added to the business-type activities capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – increased by \$232,038 for the governmental activities. This represents an increase of approximately 12.7 percent. The current level of unrestricted net assets of our governmental activities stands at \$2,061,517, or about 64.2 percent of expenses. This is within the targeted range set by Vienna Township during its last budget process.

Unrestricted net assets for the governmental activities were \$2,061,517 at December 31, 2005. This amount represents the part of net assets that is available to finance day-to-day operations and future growth of Vienna Township.

The following table shows the changes in net assets (in thousands of dollars) as of December 31, 2005 and the prior year.

Summary Condensed Income Statement:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue						
Program revenue:						
Charges for services	\$1,154,356	\$1,109,759	\$1,102,557	\$1,063,543	\$2,256,913	\$2,173,302
Operating grants and contributions	5,491	4,417	-	-	5,491	4,417
Capital grants and contributions	-	12,820	694,560	260,796	694,560	273,616
General revenue:						
Property taxes	1,197,097	1,132,938	-	-	1,197,097	1,132,938
State-shared revenue	1,005,156	1,013,878	-	-	1,005,156	1,013,878
Unrestricted investment earnings	91,128	28,662	17,361	12,770	108,489	41,432
Unrestricted earnings	110,963	105,666	-	-	110,963	105,666
Gain (loss) on disposal of capital assets	222	6,099	-	-	222	6,099
Transfers	<u>(84,237)</u>	<u>(298,239)</u>	<u>84,237</u>	<u>542,285</u>	<u>-</u>	<u>244,046</u>
Total revenue	3,480,176	3,116,000	1,898,715	1,879,394	5,378,891	4,995,394
Program Expenses						
General government	814,886	464,664	-	-	814,886	464,664
Public safety	1,311,479	1,361,637	-	-	1,311,479	1,361,637
Public service	351,549	543,176	-	-	351,549	543,176
Sanitation	630,617	607,577	-	-	630,617	607,577
Recreation and Culture	70,475	89,643	-	-	70,475	89,643
Retirement Benefits	29,175	27,565	-	-	29,175	27,565
Interest on long-term debt	-	1,476	-	-	-	1,476
Water and sewer	<u>-</u>	<u>-</u>	<u>1,167,244</u>	<u>1,139,365</u>	<u>1,167,244</u>	<u>1,139,365</u>
Total program expenses	<u>3,208,181</u>	<u>3,095,738</u>	<u>1,167,244</u>	<u>1,139,365</u>	<u>4,375,425</u>	<u>4,235,103</u>
Change in Net Assets	271,995	20,262	731,471	740,029	1,003,466	760,291
Net Assets - Beginning of year (Restated)	<u>4,738,539</u>	<u>4,718,277</u>	<u>7,611,129</u>	<u>6,871,100</u>	<u>12,349,668</u>	<u>11,589,377</u>
Net Assets - End of year	<u>\$5,010,534</u>	<u>\$4,738,539</u>	<u>\$8,342,600</u>	<u>\$7,611,129</u>	<u>\$13,353,134</u>	<u>\$12,349,668</u>

Governmental Activities

Vienna Township's total governmental revenues increased by \$364,176, despite decreases in state-shared revenue and decreases in gain on the disposal of capital assets. The increase, which represents 11.7 percent, was primarily due to the continuing increase in property taxes, an increase in investment earnings and a decrease in the amount of transfers compared to the previous year.

Expenses increased by \$112,443 during the year. Increases were led by large increases in health care costs and architectural fees incurred for the construction of a new senior center building. To offset this, Vienna Township closely monitored its spending in all other areas, including road construction projects, public safety expenditures and park and recreation maintenance.

Business Type Activities

Vienna Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Genesee County Water System. We provide sewage treatment through a sewage treatment plant operated by Genesee County Water and Waste. In 2005, it was a drier-than-average year, which resulted in relatively high usage in the water system amounting to an increase of \$13,353. Sewer expenses also increased in 2005 by approximately \$14,526. A large part of this increase can be attributed to repair work done to a couple of the pump stations located in the Vienna Township.

Vienna Township Funds

Our analysis of Vienna Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not Vienna Township as a whole. The Vienna Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. Vienna Township's major governmental funds for 2005 include the General Fund, the Sanitation Fund, and the Capital Projects Fund.

The General Fund pays for most of Vienna Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1,145,699 in 2005. Of the two services, fire is supported by a 1 mill fire millage, which is recorded in the Public Safety Department.

General Fund Budgetary Highlights

Over the course of the year, Vienna Township amended the budget to take into account events during the year. The most significant changes were to increase the Cemetery budget by \$18,400 mainly due to professional services for surveying and staking at the West Vienna Cemetery and increase the Township Hall budget by \$12,100 due to the hiring of 3 part-time grounds maintenance workers. Overall, Vienna Township's departments stayed below budget, resulting in total expenditures \$549,287 below budget. This allowed the General Fund's fund balance to increase from \$1,829,479 a year ago to \$2,061,518 at December 31, 2005.

Capital Asset and Debt Administration

At the end of 2005, Vienna Township had \$15,520,057 invested in a broad range of capital assets, including buildings, machinery, equipment and water and sewer lines. In addition, Vienna Township has invested significantly in roads within Vienna Township.

Economic Factors and Next Year's Budgets and Rates

- Over the last five years, Vienna Township has averaged approximately 100 new housing units constructed annually. There are currently 3 major active developments, and 5 more in the planning stages. This growth will be reflected in an increased State Equalized Value, tax revenues, sewer and water usage and building fee revenues.
- Vienna Township is a major commercial center for Northern Genesee County. Currently there are 80 acres of major commercial development under construction and over 200 additional acres under the control of developers in the planning and marketing stages. This growth is projected at \$100 million or more in new construction that will also be reflected in an increased State Equalized Value, tax revenues, sewer and water usage and building fee revenues. There was nearly \$23 million in new construction initiated in 2005, which is an all time high for Vienna Township.

The positive trends shown below support the budget expenditures for continued new development and corresponding revenue increases for the next year.

<u>Year</u>	<u>Total State Equalized Value</u>
2001	\$299,280,000
2002	\$328,830,000
2003	\$355,540,000
2004	\$379,770,000
2005	\$414,070,000
2006	\$439,400,000

Over the last 5 years, Vienna Township has averaged over \$200,000 annually in contributions (primarily tap-in fees) to finance the construction of additional water and sewer lines. In 2005, tap-in fees amounted to \$470,900. Vienna Township plans to construct and add to its sewer and water infrastructure in the upcoming years, which is a result of the major commercial development that is expected to continue.

Contacting the Vienna Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Vienna Township's finances and to show Vienna Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Office of the Supervisor, 3400 W. Vienna Road, Vienna Township, Clio MI, 48420.

Basic Financial Statements

Government-wide Financial Statements

Charter Township of Vienna
Statement of Net Assets
December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Building Development Authority
Assets				
Cash and equivalents	\$ 1,142,731	\$ 385,797	\$ 1,528,528	\$ 552,663
Investments	762,583	-	762,583	-
Receivables	2,069,381	422,209	2,491,590	-
Due from other governments	351,955	-	351,955	-
Internal balances	78,842	(78,842)	-	-
Prepaid items	1,695	-	1,695	-
Restricted cash	1,919,462	-	1,919,462	-
Capital assets (not depreciated)	1,218,134	1,162,008	2,380,142	15,000
Capital assets (net of accumulated depreciation)	4,945,916	8,193,999	13,139,915	96,572
Total assets	12,490,699	10,085,171	22,575,870	664,235
Liabilities and Net Assets				
Liabilities:				
Accounts payable	26,268	21,451	47,719	14,081
Due to other governments	58,216	176,369	234,585	-
Deferred revenue	1,344,967	-	1,344,967	-
Retainer payable	48,819	34,099	82,918	-
Noncurrent liabilities:				
Due within one year	777,774	322,290	1,100,064	-
Due in more than one year	5,224,121	1,188,362	6,412,483	-
Total liabilities	7,480,165	1,742,571	9,222,736	14,081
Net assets:				
Invested in capital assets, net of related debt	2,081,617	7,845,355	9,926,972	96,572
Restricted for:				
Sanitation	681,828	-	681,828	-
Retiree health care benefits	77,903	-	77,903	-
Capital projects	107,669	-	107,669	-
Unrestricted	2,061,517	497,245	2,558,762	553,582
Total net assets	\$ 5,010,534	\$ 8,342,600	\$ 13,353,134	\$ 650,154

See notes to financial statements.

Charter Township of Vienna
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 814,886	\$ 218,127	\$ -	\$ -
Public safety	1,311,479	249,353	-	-
Public service	351,549	51,066	5,491	-
Sanitation	630,617	635,810	-	-
Retirement benefits	29,175	-	-	-
Recreation and culture	70,475	-	-	-
Total governmental activities	3,208,181	1,154,356	5,491	-
Business-type activities				
Sewer	652,957	635,847	-	436,510
Water	514,287	466,710	-	258,050
Total business-type activities	1,167,244	1,102,557	-	694,560
Total primary government	\$ 4,375,425	\$ 2,256,913	\$ 5,491	\$ 694,560
Component units:				
Business Development Authority	\$ 263,862	\$ -	\$ -	\$ -
Total component units	\$ 263,862	\$ - 0 -	\$ - 0 -	\$ - 0 -
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Unrestricted earnings				
Gain (loss) on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Business Development Authority
\$ (596,759)	\$ -	\$ (596,759)	\$ -
(1,062,126)	-	(1,062,126)	-
(294,992)	-	(294,992)	-
5,193	-	5,193	-
(29,175)	-	(29,175)	-
(70,475)	-	(70,475)	-
(2,048,334)	-	(2,048,334)	-
-	419,400	419,400	-
-	210,473	210,473	-
-	629,873	629,873	-
(2,048,334)	629,873	(1,418,461)	-
-	-	-	(263,862)
-	-	-	(263,862)
1,197,097	-	1,197,097	381,930
1,005,156	-	1,005,156	-
91,128	17,361	108,489	4,325
110,963	-	110,963	-
222	-	222	-
(84,237)	84,237	-	-
2,320,329	101,598	2,421,927	386,255
271,995	731,471	1,003,466	122,393
4,738,539	7,611,129	12,349,668	527,761
\$ 5,010,534	\$ 8,342,600	\$ 13,353,134	\$ 650,154

Fund Financial Statements

**Charter Township of Vienna
Balance Sheet
Governmental Funds
December 31, 2005**

	General Fund	Sanitation Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,040,845	\$ 52,767	\$ 22,662	\$ 26,457	\$ 1,142,731
Restricted cash	-	-	1,919,462	-	1,919,462
Investments	479,231	-	210,916	72,436	762,583
Receivables:					
Current taxes	1,344,996	-	-	-	1,344,996
Accounts	85,143	-	-	419	85,562
Special assessments	-	631,311	-	-	631,311
Due from other funds	355,544	-	-	2,305	357,849
Due from other governments	351,955	-	-	-	351,955
Prepaid items	1,695	-	-	-	1,695
Total assets	\$ 3,659,409	\$ 684,078	\$ 2,153,040	\$ 101,617	\$ 6,598,144
Liabilities					
Accounts payable	\$ 6,349	\$ -	\$ -	\$ 1,856	\$ 8,205
Retainer payable	-	-	48,819	-	48,819
Deposits	-	-	-	18,061	18,061
Due to other funds	188,359	2,250	77,090	3,797	271,496
Due to other governments	58,216	-	-	-	58,216
Deferred revenue	1,344,967	-	-	-	1,344,967
Total liabilities	1,597,891	2,250	125,909	23,714	1,749,764
Fund Balances					
Reserved for prepaid items	1,695	-	-	-	1,695
Unreserved reported in :					
General fund	2,059,823	-	-	-	2,059,823
Special revenue funds	-	681,828	-	77,903	759,731
Capital projects funds	-	-	2,027,131	-	2,027,131
Total fund balances	2,061,518	681,828	2,027,131	77,903	4,848,380
Total liabilities and fund balances	\$ 3,659,409	\$ 684,078	\$ 2,153,040	\$ 101,617	\$ 6,598,144

See notes to financial statements.

Charter Township of Vienna
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
December 31, 2005

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 4,848,380
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,164,049
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(6,001,895)</u>
Net Assets - Governmental Activities	<u>\$ 5,010,534</u>

See notes to financial statements.

Charter Township of Vienna
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Sanitation Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$1,185,675	\$ -	\$ -	\$ -	\$ 1,185,675
Special assessments	-	630,224	-	-	630,224
Licenses and permits	8,472	-	-	170,798	179,270
Intergovernmental:					
State	1,010,647	-	-	-	1,010,647
Charges for services	294,060	-	-	-	294,060
Interest	49,561	8,203	31,805	1,560	91,129
Miscellaneous	177,672	5,585	95	529	183,881
Total revenues	2,726,087	644,012	31,900	172,887	3,574,886
Expenditures					
Current:					
General government:					
Township Board	182,790	-	-	-	182,790
Supervisor	66,841	-	-	-	66,841
Assessor	125,250	-	-	-	125,250
Elections	4,221	-	-	-	4,221
Clerk	60,983	-	-	-	60,983
Treasurer	69,091	-	-	-	69,091
Township hall and grounds	199,754	-	-	-	199,754
Cemetery	36,520	-	-	-	36,520
Planning department	52,313	-	-	-	52,313
Parks and recreation	12,726	-	-	-	12,726
Senior Center	58,711	-	-	-	58,711
Public safety:					
Police	835,791	-	-	-	835,791
Fire	309,908	-	-	-	309,908
Building inspection	-	-	-	180,021	180,021
Public service	275,325	-	-	-	275,325
Sanitation	-	630,617	-	-	630,617
Retirement benefits	-	-	-	29,175	29,175
Capital outlay	84,089	-	4,199,938	-	4,284,027
Total expenditures	2,374,313	630,617	4,199,938	209,196	7,414,064
Excess (deficiency) of revenues over expenditures	351,774	13,395	(4,168,038)	(36,309)	(3,839,178)
Other financing sources (uses)					
Loan proceeds	-	-	6,001,896	-	6,001,896
Transfers in	-	-	-	44,957	44,957
Transfers out	(119,957)	-	-	(9,237)	(129,194)
Sale of fixed assets	222	-	-	-	222
Total other financing sources (uses)	(119,735)	-	6,001,896	35,720	5,917,881
Net change in fund balances	232,039	13,395	1,833,858	(589)	2,078,703
Fund balances at beginning of year	1,829,479	668,433	193,273	78,492	2,769,677
Fund balances at end of year	\$2,061,518	\$ 681,828	\$2,027,131	\$ 77,903	\$ 4,848,380

See notes to financial statements.

**Charter Township of Vienna
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2005**

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 2,078,703
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	4,195,188
Loan proceeds are not reported as financing sources on the statement of activities	<u>(6,001,896)</u>
	<u>\$ 271,995</u>

See notes to financial statements.

Charter Township of Vienna
Statement of Net Assets
Proprietary Funds
Enterprise Funds
December 31, 2005

	Sewer Utility	Water Utility	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 104,997	\$ 280,800	\$ 385,797
Receivables:			
Accounts	43,786	-	43,786
Unbilled utility charges	241,217	-	241,217
Delinquent fees	84,865	6,347	91,212
Customer assessments	16,940	10,910	27,850
Tap-in contracts - current portion	1,151	3,502	4,653
Due from other funds	3,797	225,020	228,817
Total current assets	496,753	526,579	1,023,332
Capital assets:			
Land	55,200	-	55,200
Utility system	6,847,348	4,003,516	10,850,864
Office equipment	4,275	-	4,275
Construction in progress	875,032	231,776	1,106,808
Total	7,781,855	4,235,292	12,017,147
Less accumulated depreciation	1,722,455	938,685	2,661,140
Net capital assets	6,059,400	3,296,607	9,356,007
Other assets:			
Tap-in contracts receivable - long-term	6,245	7,246	13,491
Total assets	\$ 6,562,398	\$ 3,830,432	\$ 10,392,830

See notes to financial statements.

	Sewer Utility	Water Utility	Totals
Liabilities			
Current liabilities:			
Accounts payable	\$ 4,209	\$ 17,242	\$ 21,451
Retainer payable	14,389	19,710	34,099
Due to other funds	307,659	-	307,659
Due to other governments	104,036	72,333	176,369
Notes payable - current	256,761	65,529	322,290
Total current liabilities	687,054	174,814	861,868
Other liabilities:			
Long-term - notes payable	763,522	424,840	1,188,362
Total liabilities	1,450,576	599,654	2,050,230
Net Assets			
Invested in capital assets, net of related debt	5,039,117	2,806,238	7,845,355
Unrestricted	72,705	424,540	497,245
Total net assets	5,111,822	3,230,778	8,342,600
Total liabilities and net assets	\$ 6,562,398	\$ 3,830,432	\$ 10,392,830

See notes to financial statements.

Charter Township of Vienna
Statements of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Enterprise Funds
For the Year Ended December 31, 2005

	Sewer Utility	Water Utility	Totals
Operating revenues:			
Charges for services	\$ 607,401	\$ 466,592	\$ 1,073,993
Late charges/penalties	24,649	43	24,692
Miscellaneous	3,797	75	3,872
	<hr/>	<hr/>	<hr/>
Total operating revenues	635,847	466,710	1,102,557
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Cost of water purchased	439,099	-	439,099
Cost of sewage treatment	-	374,684	374,684
Depreciation	68,474	66,258	134,732
Maintenance and repair	44,412	-	44,412
Professional services	5,346	1,135	6,481
Salaries and fringe benefits	37,048	23,388	60,436
Computer billing charge	2,384	1,076	3,460
Office supplies and postage	379	-	379
Insurance	76	46	122
Miscellaneous	188	15,506	15,694
Operating supplies	670	359	1,029
	<hr/>	<hr/>	<hr/>
Total operating expenses	598,076	482,452	1,080,528
	<hr/>	<hr/>	<hr/>
Operating income (loss)	37,771	(15,742)	22,029
	<hr/>	<hr/>	<hr/>
Non-operating revenues (expenses):			
Interest on investments	6,049	8,777	14,826
Interest on tap-ins	701	1,834	2,535
Interest on notes payable	(54,881)	(31,835)	(86,716)
	<hr/>	<hr/>	<hr/>
Total non-operating expenses	(48,131)	(21,224)	(69,355)
	<hr/>	<hr/>	<hr/>
Loss before contributions and transfers	(10,360)	(36,966)	(47,326)
	<hr/>	<hr/>	<hr/>
Capital contributions	436,510	258,050	694,560
Transfers in	84,237	-	84,237
	<hr/>	<hr/>	<hr/>
Change in net assets	510,387	221,084	731,471
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	4,601,435	3,009,694	7,611,129
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 5,111,822	\$ 3,230,778	\$ 8,342,600
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

**Charter Township of Vienna
Statement of Cash Flows
Proprietary Funds
Business-type Activities - Enterprise Funds
For the Year Ended December 31, 2005**

	Sewer Utility	Water Utility	Totals
Cash flows from operating activities			
Receipts from customers and users	\$ 610,290	\$ 474,230	\$ 1,084,520
Payments to vendors	(362,577)	(408,258)	(770,835)
Payments to employees	(37,048)	(23,388)	(60,436)
Net cash provided by operating activities	210,665	42,584	253,249
Cash flows from non-capital financing activities			
Transfers from other funds/component unit	64,950	-	64,950
Cash flows from capital and related financing activities			
Capital contributions	441,680	268,482	710,162
Purchase of capital assets	(886,584)	(309,158)	(1,195,742)
Principal payments on capital debt	(256,761)	(64,202)	(320,963)
Interest paid on capital debt	(54,881)	(31,835)	(86,716)
Net cash used in capital and related financing activities	(756,546)	(136,713)	(893,259)
Cash flows from investing activities			
Interest on investments	6,049	8,777	14,826
Interest on tap-ins	701	1,834	2,535
Net cash provided by investing activities	6,750	10,611	17,361
Net decrease in cash and cash equivalents	(474,181)	(83,518)	(557,699)
Cash and cash equivalents - beginning of year	579,178	364,318	943,496
Cash and cash equivalents - end of year	<u>\$ 104,997</u>	<u>\$ 280,800</u>	<u>\$ 385,797</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 37,771	\$ (15,742)	\$ 22,029
Adjustments to reconcile operating income (loss) to net cash provided by operations:			
Depreciation and amortization	68,474	66,258	134,732
Changes in operating assets and liabilities:			
Accounts receivable	(23,062)	7,828	(15,234)
Due from other funds	(2,495)	(308)	(2,803)
Accounts payable	2,963	48	3,011
Due to other funds	126,128	(13,646)	112,482
Due to other governments	886	(1,854)	(968)
Net cash provided by operating activities	<u>\$ 210,665</u>	<u>\$ 42,584</u>	<u>\$ 253,249</u>

See notes to financial statements.

**Charter Township of Vienna
Statement of Net Assets
Fiduciary Funds
December 31, 2005**

	<u>Tax Collection Fund</u>
Assets	
Cash and cash equivalents	\$ 1,061,228
Liabilities	
Due to other funds	\$ 7,512
Unallocated taxes	1,053,716
	<hr/>
Total liabilities	\$ 1,061,228

See notes to financial statements.

Notes to Basic Financial Statements

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies

A. Reporting entity

The Township of Vienna, Michigan elected Charter Township status in August 1978. The Township provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit

Business Development Authority: The members of the governing board are appointed by the Township supervisor and approved by the Township Board. The Authority's operational and capital budgets must be approved by the Township Board. The Authority was created on May 23, 1992, under Act 197, Public Act of Michigan, 1975, as amended.

Administrative Office:
Business Development Authority of Vienna Township
3400 W. Vienna Road
Clio, Michigan 48420

Jointly governed organizations

The following organizations are not included in the Township's annual report as component units, but rather are considered joint ventures.

The organizations have the following characteristics:

Clio Area Library and Clio Area Fire Authority

- Financed by other communities besides the Township of Vienna
- Serve several communities outside the Township
- Vienna Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Township of Vienna is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Clio Library and Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2005, and March 31, 2005, are available for public inspection at the Charter Township of Vienna.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies - (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Property taxes, licenses, state shared revenues and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Sanitation Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Capital Projects Fund is used to account for financial resources used for the contribution of major capital improvements.

The Township reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are separate funds maintained for the operations of the water distribution system and the sewage pumping and collection system that transfer sewage to Genesee County's treatment plant.

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are reported as fiduciary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

2. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

3. Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets

Restricted cash- Proceeds from the issuance of debt are restricted for the construction of a new fire hall.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water System	60 years
Sewer System	100 years
Machinery and equipment	5-20 years
Buildings and building improvements	10-50 years
Roads and sidewalks	5-30 years
Drains	40 years

5. Accumulated unpaid sick and vacation pay

Employees' unused sick time is paid out in cash at the end of the year. It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. The balance of vacation time owed at year end is immaterial and thus not recorded in the government-wide financial statements

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

9. Property taxes

The Township levies property taxes on December 1 each year, and are payable without penalty through February 28. These taxes become liens on the property at that date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund are recorded as unallocated tax collections. These monies are distributed to the appropriate funds in the ensuing budget year. Revenues generated by the levy of a 1 percent property tax administrative fee are recognized on a cash basis. Uncollected fees as of December 31, 2005, are recorded as a receivable with an offsetting deferred revenue account in the General Fund.

Property taxes are levied based on assessed values of property located in the Township. Assessed values are established annually and taxable by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Factor</u>
Real property	\$363,307,000	\$293,491,806	
Personal property	15,993,200	15,959,183	
Qualified property	473,800	473,586	
Total	<u>\$379,774,000</u>	<u>\$309,924,575</u>	<u>1.23</u>

The Township is permitted by charter to levy up to \$5.00 (5 mills) per \$1,000 of taxable value for general governmental services. For the year ended December 31, 2005, the Township levied 4.04 mills. The Township is permitted to levy unlimited amounts for payment of full faith and credit general long-term obligations. There was no debt millage levied for the year ended December 31, 2005.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

II. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$4,464,823
Depreciation expense	<u>(269,635)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$4,195,188</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

III. Stewardship, compliance, and accountability – (continued)

B. Excess of expenditures over budget information

The following individual cost centers incurred expenditures in excess of appropriation:

	<u>Final Budget</u>	<u>Actual</u>	Actual Over Amended <u>Budget</u>
General Fund:			
Capital outlay	\$ 500	\$ 84,089	\$ 83,589
Transfers out	115,000	119,957	4,957

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated ten banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$768,970 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase Agreement	\$1,752,593	Counterparty-sweeps

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Mutual fund	\$221,311	3.1 years

B. Receivables

Receivables as of December 31, 2005 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$1,344,996	\$ -	\$ -	\$ -	\$1,344,996
Accounts	85,143	-	419	-	85,562
Special assessments	-	631,311	-	-	631,311
Intergovernmental	351,955	-	-	-	351,955
Gross receivables	1,782,094	631,311	419	-	2,413,824
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$1,782,094</u>	<u>\$631,311</u>	<u>\$ 419</u>	<u>\$ -0-</u>	<u>\$2,413,824</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables – (continued)

Business-type activities:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Accounts	\$ 43,786	\$ -	\$ 43,786
Unbilled utility charges	241,217	-	241,217
Delinquent fees	84,865	6,347	91,212
Special assessments	16,940	10,910	27,850
Tap-in contracts	7,396	10,748	18,144
Gross receivables	394,204	28,005	422,209
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$394,204</u>	<u>\$ 28,005</u>	<u>\$422,209</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Property taxes	<u>\$1,344,967</u>

C. Capital assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 133,396	\$ 362,362	\$ -	\$ 495,758
Construction in progress	-	722,376	-	722,376
Total capital assets, not being depreciated	<u>133,396</u>	<u>1,084,738</u>	<u>-</u>	<u>1,218,134</u>
Capital assets, being depreciated:				
Roads and sidewalks	50,420	3,428,672	-	3,479,092
Buildings	2,354,267	-	-	2,354,267
Machinery and equipment	553,597	6,302	(61,120)	498,779
Total capital assets being depreciated	<u>2,958,284</u>	<u>3,434,974</u>	<u>(61,120)</u>	<u>6,332,138</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities: - (continued)				
Less accumulated depreciation for:				
Roads and sidewalks	7,582	177,442	-	185,024
Buildings	727,745	64,516	-	792,261
Machinery and equipment	387,493	27,677	6,233	408,937
Total accumulated depreciation	1,122,820	269,635	6,233	1,386,222
Total capital assets, being depreciated, net	1,835,464	3,165,339	(54,887)	4,945,916
Governmental activities capital assets, net	<u>\$ 1,968,860</u>	<u>\$4,250,077</u>	<u>\$ (54,887)</u>	<u>\$6,164,050</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 55,200	\$ -	\$ 55,200
Construction in progress	59,973	1,046,835	-	1,106,808
Total capital assets, not being depreciated	59,973	1,102,035	-	1,162,008
Capital assets, being depreciated:				
Buildings and system	10,703,773	147,091	-	10,850,864
Machinery and equipment	4,275	-	-	4,275
Total capital assets, being depreciated	10,708,048	147,091	-	10,855,139
Less accumulated depreciation for:				
Buildings and system	2,522,133	134,732	-	2,656,865
Machinery and equipment	4,275	-	-	4,275
Total accumulated depreciation	2,526,408	134,732	-	2,661,140
Total capital assets, being depreciated, net	8,181,640	12,359	-	8,193,999
Business-type activities capital assets, net	<u>\$ 8,241,613</u>	<u>\$1,114,394</u>	<u>\$ -0-</u>	<u>\$9,356,007</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 84,714
Public safety	2,661
Public service	<u>182,260</u>

Total depreciation expense – governmental activities \$269,635

Business-type activities:

Sewer	\$ 68,474
Water	<u>66,258</u>

Total depreciation expense – business-type activities \$134,732

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Discretely presented component units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-District Authority:				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	15,000	-	-	15,000
Capital assets, being depreciated:				
Buildings	36,900	-	-	36,900
Equipment	49,910	21,988	-	71,898
Total capital assets, being depreciated	86,810	21,988	-	108,798
Less accumulated depreciation for:				
Buildings	961	922	-	1,883
Machinery and equipment	4,618	5,725	-	10,343
Total accumulated depreciation	5,579	6,647	-	12,226
Total capital assets, being depreciated, net	81,231	15,341	-	96,572
Authority capital assets, net	\$ 96,231	\$ 15,341	\$ -0-	\$111,572

Land was purchased from the State of Michigan in 2003 for \$15,000 for which the use is restricted as a park for ten years.

D. Interfund receivables, payables, and transfers

The composition of interfund balances at December 31, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	268,692
General	Tax	7,512
General	Sanitation	2,250
General	Capital Projects	77,090
Building Inspection	General	2,305
Water	General	186,053
Water	Sewer	38,967
Sewer	Building Department	3,797
Total		<u>\$586,666</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

	Transfer In		
	Retirement Health Care Fund	Building Inspection Fund	Sewer Utility Fund
			Total
Transfer out:			
General fund	\$ 40,000	\$ 4,957	\$ 75,000
Debt Service fund	-	-	9,237
			9,237
Total transfers out	\$ 40,000	\$ 4,957	\$ 84,237
			\$129,194

Transfers between funds were primarily for operating purposes.

E. Long-term debt

County contractual agreements and installment purchase agreements are general obligations of the Township.

The Township was a participant in the county-wide sanitary sewer and water system construction program. This program was financed by general obligation bonds issued by Genesee County. The Township is obligated to assume the portion of the total debt for the construction of the systems within its boundaries. Significant details regarding the Township's obligations are as follows:

A summary of long-term debt for the year ended December 31, 2005, and the composition of the December 31, 2005, long-term debt balance follows:

	Final Payment Due	Interest Rate or Range	Balance at December 31, 2004	Issuances (Retirements) During Year	Balance at December 31, 2005	Due Within One Year
Governmental Activities:						
Fire Hall installment purchase	2020	4.72%	\$ -	\$2,483,600	\$2,483,600	\$ 62,774
Land Contract – Fire Hall property	2007	0.0	-	230,000	230,000	115,000
County road contract	2015	0.0	-	3,288,295	3,288,295	600,000
			\$ -0-	\$6,001,895	\$6,001,895	\$777,774

The county road contract was entered in accordance with Act 51, Public Acts of State 1951, as amended. The act provides that the Township can levy up to 3 mills for the payment of the debt and obligate its available general fund balance.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at December 31, 2004</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at December 31, 2005</u>	<u>Due Within One Year</u>
Business-Type Activities:						
Genesee County Sewage Disposal System No. 2 Bonds	2008	5.0%	\$ 776,000	\$ (194,000)	\$ 582,000	\$194,000
Genesee County Sewage Disposal Southeast Extensions to System No. 2 Bonds	2008	5.0	1,044	(261)	783	261
Genesee County Water Supply System No. 4 Bonds	2008	6.1-6.9	160,000	(40,000)	120,000	40,000
Vienna Meadows Waterline Installment Note	2016	5.44	105,982	(6,558)	99,424	6,920
Haven Street Waterline Installment Note	2016	5.40	83,094	(5,081)	78,013	5,358
Saginaw Road Waterline Installment Note	2016	5.40	205,498	(12,566)	192,932	13,251
Vienna Road Sanitary Sewer Extension Installment Note	2012	3.00	500,000	(62,500)	437,500	62,500
Total business type activities			<u>\$1,831,618</u>	<u>\$ (320,966)</u>	<u>\$1,510,652</u>	<u>\$322,290</u>

The water and sewer operating revenues are the primary sources of repayment for the general obligation contracts, and all installment notes except the Vienna Road Sanitary Sewer Extension Installment note. The latter is supported by the Business Development Authority tax increment financing revenues.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 777,774	\$ 117,226	\$ 322,290	\$ 69,706
2007	570,780	114,263	323,691	52,110
2008	465,166	110,877	325,121	34,486
2009	475,995	107,048	92,464	23,795
2010	487,335	102,708	94,107	20,174
2011-2015	1,878,360	427,768	269,712	44,610
2016-2020	1,346,485	215,700	83,268	6,885
Total	<u>\$6,001,895</u>	<u>\$1,195,590</u>	<u>\$1,510,653</u>	<u>\$251,766</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2005, the Charter Township of Vienna had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10 percent limit computation.

Act 99, Public Acts of State 1933, authorizes the Township to use installment purchase agreements. However, the contracts outstanding for the Township may not exceed 1.25 percent of the Township's assessed value. As of December 31, 2005, the Charter Township of Vienna had the following legal debt margin for installment purchase agreements:

Total assessed valuation	<u>\$379,774,000</u>
Debt limit – 1.25 percent of total assessed valuation	\$ 4,747,175
Less amount of debt applicable to debt limit	<u>2,713,600</u>
Unused debt limitation	<u>\$ 2,033,575</u>

V. Other information

A. Retirement plans

1. The Township has an employer defined contribution pension plan administered by Nationwide Retirement Services, covering substantially all full-time employees. Fourteen (14) percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee is required to contribute a minimum of 5 percent. The Township's policy is to fund pension costs accrued on an annual basis. Employer contributions for the year were \$31,037. The pension, as established, does not recognize prior service costs, as it is based exclusively on current compensation earned by participants.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

V. Other information

A. Retirement plans – (continued)

2. Defined benefit pension plan

Plan description:

The Township has elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The system provides retirement benefits, as well as death and disability benefits. Service retirement benefits vest after 10 years of service or after age 60 is attained; payment is based as follows:

- 2 percent of the three-year final average compensation multiplied by the credited years of service

The obligation to contribute to and maintain the system for these employees was established by Township board resolution and requires no contribution from the employees.

Membership in the plan at November 2004, the date of the latest actuarial valuation, is comprised of 10 active members, 0 inactive vested members, and 0 retirees and beneficiaries.

Funding policy:

The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

Actuarial assumptions:

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	November 1, 2004
Actuarial cost method	Entry age normal actuarial
Amortization method	Level percentage of payroll
Remaining amortization period	30 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0%
Projected salary increases	0% - 4.16%
Includes inflation at	4.5%

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

V. Other information

A. Retirement plans – (continued)

2. Defined benefit pension plan – (continued)

Annual pension cost:

The Township's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended December 31, 2005 was \$33,623. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at December 31, 2005. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the year ended December 31, 2005, is summarized as follows:

<u>Plan Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	11/1/04	\$ 33,623	100%	\$ -

B. Joint ventures

Clio Area Fire Authority:

In April 1976, the Charter Township of Vienna entered into a joint venture with the City of Clio and the Township of Thetford to create the Clio Area Fire Authority. The purpose of this joint venture was to obtain adequate fire protection for residents of the municipalities. The agreement calls for each of the three municipalities to pay the Fire Authority such amounts as are necessary to cover one-third of the fixed operational costs of the Fire Authority. During 1992, the three members approved a 1 mill levy to be collected from their respective property owners, to be used to fund operations of the Authority. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The one mill levied by the Authority during 2005 was \$309,746.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	<u>Year Ended March 31, 2005</u>
Total assets	\$1,330,412
Total liabilities	36,305
Total net assets	1,294,107
Total revenues	575,210
Total expenditures	436,333

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

V. Other information

B. Joint ventures – (continued)

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Vienna Township during 2005 was \$25,449.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Township, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	<u>Year Ended</u> <u>June 30, 2005</u>
Total assets	\$279,942
Total liabilities	4,443
Total net assets	275,499
Total revenues	46,922
Total expenditures	49,035

C. Contingent liabilities

The Township participates in a number of federal and state assisted grant programs, principal of which is Community Development Block Grants (CDBG). These programs are subject to program compliance audits. In accordance with the Single Audit Act, a single audit was not required since the Township expended less than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

D. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

V. Other information – (continued)

E. Post-employment benefits

Post-employment benefits are offered in accordance with Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as expenditures when the fund liability is incurred. The benefit amounts incurred totaled \$29,175 during the year ended December 31, 2005. The total number of eligible retirees amounted to 3 individuals at December 31, 2005 with 3 participating. There are no provisions for employee contributions.

F. Construction code revenue/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the former presentation. The activity related to construction code activity is shown in the Building Inspection Special Revenue Fund.

G. Construction commitments

The Township has active construction projects at year end. The projects include the fire hall project. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire hall	\$488,189	\$1,552,811
Sewer replacement (M-57)	719,434	11,756
Watermain	197,099	27,132
Total	<u>\$1,404,722</u>	<u>\$1,591,699</u>

H. Net assets

The balance of the net assets of the Governmental Activities at December 31, 2004 has been restated to correct an error. The adjustment reflects property tax revenues that should not have been recognized at December 31, 2004 at the government-wide level.

Net assets at December 31, 2004, as previously reported	\$ 6,001,117
Adjustment to defer tax revenue	<u>(1,262,578)</u>
Net assets at December 31, 2004, as restated	<u>\$ 4,738,539</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2005

V. Other information – (continued)

I. Upcoming reporting changes

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the Township’s financial statement for future reporting periods.

Required Supplementary Information

Charter Township of Vienna
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Amended	Amounts	Amended Budget
Revenues				
Taxes	\$ 1,224,500	\$ 1,224,500	\$ 1,185,675	\$ (38,825)
Licenses and permits	7,500	7,500	8,472	972
Intergovernmental:				
State	1,024,000	1,024,000	1,010,647	(13,353)
Charges for services	245,000	245,000	294,060	49,060
Interest income	10,000	10,000	49,561	39,561
Miscellaneous	167,500	167,500	177,672	10,172
Total revenues	2,678,500	2,678,500	2,726,087	47,587
Expenditures				
Current:				
General government:				
Township Board	227,700	227,700	182,790	44,910
Supervisor	73,100	73,100	66,841	6,259
Assessor	138,600	138,600	125,250	13,350
Elections	10,000	10,000	4,221	5,779
Clerk	64,800	64,800	60,983	3,817
Treasurer	72,400	72,400	69,091	3,309
Township hall and grounds	192,500	204,600	199,754	4,846
Cemetery	22,000	40,400	36,520	3,880
Planning department	58,900	58,900	52,313	6,587
Parks and recreation	40,500	20,500	12,726	7,774
Senior center	59,500	63,900	58,711	5,189
Public safety:				
Police	853,800	856,400	835,791	20,609
Fire	310,000	310,000	309,908	92
Public service	876,800	781,800	275,325	506,475
Capital outlay	500	500	84,089	(83,589)
Total expenditures	3,001,100	2,923,600	2,374,313	549,287
Excess of revenue (deficiency) over expenditures	(322,600)	(245,100)	351,774	596,874
Other financing uses				
Transfers out	(115,000)	(115,000)	(119,957)	(4,957)
Sale of fixed assets	100	100	222	122
Total other financing uses	(114,900)	(114,900)	(119,735)	(4,835)
Net change in fund balance	(437,500)	(360,000)	232,039	592,039
Fund balance at beginning of year	1,829,479	1,829,479	1,829,479	-
Fund balance at end of year	\$ 1,391,979	\$ 1,469,479	\$ 2,061,518	\$ 592,039

Note - The budget is prepared in accordance with generally accepted accounting principles.

Charter Township of Vienna
Sanitation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005

Sanitation Fund				
	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
Revenues				
Special assessments	\$ 632,400	\$ 632,400	\$ 630,224	\$ (2,176)
Interest	2,000	2,000	8,203	6,203
Miscellaneous	4,050	4,050	5,585	1,535
Total revenues	638,450	638,450	644,012	5,562
Expenditures				
Current:				
Sanitation	639,400	639,400	630,617	8,783
Total expenditures	639,400	639,400	630,617	8,783
Net change in fund balance	(950)	(950)	13,395	14,345
Fund balance at beginning of year	668,433	668,433	668,433	-
Fund balance at end of year	\$ 667,483	\$ 667,483	\$ 681,828	\$ 14,345

Note - The budget is prepared in accordance with generally accepted accounting principles.

Supplementary Section

**Charter Township of Vienna
Nonmajor Governmental Funds
Summary Descriptions
December 31, 2005**

The Township reports the following nonmajor governmental funds:

Special Revenue Funds:

Building Inspection Fund – To account for revenues and expenditures related to building inspection activities.

Retirement Health Care Benefit Fund – This fund is used to account for charges for services to other funds which are to be used to pay retiree health care benefits.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Charter Township of Vienna
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection</u>	<u>Retirement Health Care Benefit</u>	<u>Debt Service</u>	
Assets				
Cash and cash equivalents	\$ 20,990	\$ 5,467	\$ -	\$ 26,457
Investments	-	72,436	-	72,436
Accounts receivable	419	-	-	419
Due from other funds	2,305	-	-	2,305
Total assets	<u>\$ 23,714</u>	<u>\$ 77,903</u>	<u>\$ -</u>	<u>\$ 101,617</u>
Liabilities				
Accounts payable	\$ 1,856	\$ -	\$ -	\$ 1,856
Deposits	18,061	-	-	18,061
Due to other funds	3,797	-	-	3,797
Total liabilities	<u>23,714</u>	<u>-</u>	<u>-</u>	<u>23,714</u>
Fund Balances				
Unreserved:				
Designated for retirement health care benefit	-	77,903	-	77,903
Total fund balances	<u>-</u>	<u>77,903</u>	<u>-</u>	<u>77,903</u>
Total liabilities and fund balances	<u>\$ 23,714</u>	<u>\$ 77,903</u>	<u>\$ -</u>	<u>\$ 101,617</u>

Charter Township of Vienna
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Building</u>	<u>Retirement</u>	<u>Debt</u>	<u>Nonmajor</u>
	<u>Inspection</u>	<u>Health Care</u>	<u>Service</u>	<u>Governmental</u>
		<u>Benefit</u>		<u>Funds</u>
Revenues				
Licenses and permits	\$ 170,798	\$ -	\$ -	\$ 170,798
Interest	251	1,284	25	1,560
Miscellaneous	529	-	-	529
Total revenues	171,578	1,284	25	172,887
Expenditures				
Current:				
Public safety-building inspection	180,021	-	-	180,021
Retirement benefits	-	29,175	-	29,175
Total expenditures	180,021	29,175	-	209,196
Excess (deficiency) of revenues over expenditures	(8,443)	(27,891)	25	(36,309)
Other financing sources				
Transfers in	4,957	40,000	-	44,957
Transfers out	-	-	(9,237)	(9,237)
Total other financing sources	4,957	40,000	(9,237)	35,720
Net change in fund balances	(3,486)	12,109	(9,212)	(589)
Fund balances at beginning of year	3,486	65,794	9,212	78,492
Fund balance at end of year	<u>\$ -</u>	<u>\$ 77,903</u>	<u>\$ -</u>	<u>\$ 77,903</u>

Charter Township of Vienna
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
Year Ended December 31, 2005

Building Inspection Fund				
	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
Revenues				
Licenses and permits	\$ 168,500	\$ 168,500	\$ 170,798	\$ 2,298
Interest	100	100	251	151
Miscellaneous	1,000	1,000	529	(471)
Total revenues	169,600	169,600	171,578	1,978
Expenditures				
Current:				
Public safety-building inspection	195,200	195,200	180,021	15,179
Retirement benefits	-	-	-	-
Total expenditures	195,200	195,200	180,021	15,179
Excess (deficiency) of revenues over expenditures	(25,600)	(25,600)	(8,443)	17,157
Other financing sources				
Transfers in	25,600	25,600	4,957	(20,643)
Net change in fund balances	-	-	(3,486)	(3,486)
Fund balance at beginning of year	3,486	3,486	3,486	-
Fund balance at end of year	\$ 3,486	\$ 3,486	\$ -	\$ (3,486)

Retirement Health Care Benefit Fund

Budgeted Amounts		Actual Amounts	Variance with Amended Budget
Original	Amended		
\$ -	\$ -	\$ -	\$ -
300	300	1,284	984
-	-	-	-
300	300	1,284	984
-	-	-	-
33,100	33,100	29,175	3,925
33,100	33,100	29,175	3,925
(32,800)	(32,800)	(27,891)	4,909
40,000	40,000	40,000	-
7,200	7,200	12,109	4,909
65,794	65,794	65,794	-
\$ 72,994	\$ 72,994	\$ 77,903	\$ 4,909

**Charter Township of Vienna
Agency Fund - Tax Collection
Statement of Changes in Assets and Liabilities
Year Ended December 31, 2005**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Assets				
Cash and cash equivalents	\$ 3,458,173	\$ 10,065,141	\$ 12,462,086	\$ 1,061,228
Liabilities				
Due to other funds	\$ 7,512	\$ -	\$ -	\$ 7,512
Unallocated taxes	3,450,661	18,167,417	20,564,362	1,053,716
Total liabilities	\$ 3,458,173	\$ 18,167,417	\$ 20,564,362	\$ 1,061,228



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March 16, 2006

Board of Trustee
Charter Township of Vienna
3400 West Vienna Road
Clio, Michigan 48420

Dear Board Members:

We recently completed our audit of the basic financial statements of the Charter Township of Vienna for the year ended December 31, 2005. In conjunction with our audit, we have the following comments and recommendations for your review and consideration.

ACH Policy

In accordance with Public Act 738 of 2002 will recommend the Township board approve a resolution authorizing electronic transactions.

Budget Adoption

We recommend the annual adopted budget for the General Fund and Special Revenue Funds be attached to the official board minutes or the specifics of the budget be included in the minutes. By doing so, the specific actions of the Board will be documented.

We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the Township staff during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd A. Harburn".

Tadd A. Harburn, CPA
Partner